

**REPORT OF THE 2005-2006  
SECRETARY OF STATE'S TASK  
FORCE ON ONLINE DISCLOSURE  
OF CAMPAIGN FINANCE  
STATEMENTS**

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## *Preface*

The historic California Recall Election in 2003, and the Special Election in the fall of 2005 to consider eight citizen-sponsored initiatives, brought unprecedented scrutiny to hundreds of millions of dollars spent by California political stakeholders. At several points during the heated election seasons, compliance (or lack of it) with the California campaign reporting rules became major turning points for candidates or issues. The media clamored for daily information about the flow of campaign money into and out of campaign coffers. Some committees had to file quarterly reports. Others similarly situated did not. Some general purpose recipient committees voluntarily filed reports as if they were primarily formed committees in order to more frequently report. The finances of campaigns were put under a microscope and the reporting system was found wanting.

On October 18, 2005, California Secretary of State Bruce McPherson, the state's chief election official, in order to improve the state's campaign reporting system, initiated a process to examine existing campaign laws and propose amendments that would ensure greater timeliness, transparency and simplicity.. He assembled a diverse group of citizens representing government filing offices and ethics agencies, professional treasurers, watchdog groups, the legislature, political and election law firms, and technology experts to discuss amplifying the sunlight of disclosure in California through use of electronic disclosure statements on the internet and simplification of campaign disclosure statements.

The overarching ideals of transparency and public access for campaign finance data governed the deliberations of the Secretary of State's Task Force for Online Disclosure of Campaign Finance Statements. To reach these goals, the public, including the media and participants in the political process, must have easy access to thorough reports on a timely basis provided by campaigns and political committees. It is often said that sunlight is the greatest disinfectant in politics and the Task Force, to a person, subscribed to this adage.

The report that follows is the product of our Task Force and we submit it to Secretary of State McPherson, on behalf of the people of California, and after his due consideration, to the people's representatives in the Legislature. Californians can and should expect their campaign disclosure system to be a source of pride and a model to the country.

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**Member Dissenting to Certain  
Recommendations  
(See Additional Statement)**

## ***HISTORY OF CAMPAIGN FINANCE DISCLOSURE AND THE ONLINE DISCLOSURE ACT***

### **1974 to 1997**

Since 1974, when the Political Reform Act was adopted by the voters of California, one of the most comprehensive disclosure laws in the nation, campaign contributions and expenditures have been disclosed through a system of form driven paper filings with the Secretary of State, County Registrars, and Municipal filing offices, usually the City Clerk. At the state level, committees and major donors had to file two copies of each report in three or four filing locations (the Secretary of State, Los Angeles County Registrar, San Francisco County Registrar Recorder, and a county of domicile, if different from the first three locations). This caused six to eight copies of every campaign statement (often hundreds or even thousands of pages per statement) to be filed in three or four geographic sites.

### **On Line Disclosure**

In 1997, the Legislature passed the Online Disclosure Act, which allowed electronic and online disclosure submissions of campaign and lobbying disclosure reports for display on the internet web site of the Office of the Secretary of State. The law required electronic filing by all state committees (for statewide candidates, legislative candidates, state recipient committees, state major donor committees, and state party committees) that had receipts or expenditures of \$50,000 or more after July 1, 2000. Lobbying firms, lobbyist employers, lobbyists, lobbying coalitions and all other person who spend \$5,000 or more to influence legislative or state agency administrative action are required to file their campaign statements electronically when their activity threshold reaches \$5,000 or more for any category of reportable payments, expense, contributions, gifts or other items in any calendar quarter. State filers who do not meet the threshold can voluntarily file their statements electronically.

To date, the goal of eliminating paper filings is still a dream. For complicated reasons, campaign statement filers still have to file paper reports in multiple locations and also dually file on the internet. The Secretary of State has approved only lobbying forms for electronic filing without duplicative paper filings.

### **Cal Access**

The campaign statements submitted electronically are displayed on the Secretary of State's web site, Cal-Access (California Automated Lobbying and Campaign Contribution and Expenditure Search System). The web site ([www.ss.ca.gov](http://www.ss.ca.gov)) permits searches as follows:

1. Review of statements submitted by state candidates and officeholders
2. Review of statements submitted by ballot measure committees and proponents

3. Review of statements submitted by political parties, political action committees, major donors and slate mailer organizations
4. Review of statements submitted by lobbyist employers, lobbying firms, lobbyists and lobbying coalitions
5. Review of daily filings and special reports
6. Use of an advanced search tool across multiple filings (for example, when you enter the name of a major donor, this tool will search receipt schedules of all filings in the database to find the name you have entered).

### **Cal-Online**

A free, web-based online filing system developed by the Secretary of State and called Cal-Online is also available to submit and file a few of the campaign reports and quarterly lobbying reports. Cal-Online is rudimentary and operates as form-ware, a basic minimum service. For example, the filer completes a form with data that is not retained (thus, each period all data must be re-entered), and does not cumulate contributions between periods. Cal-Online will calculate totals on each schedule and transfer them to the Summary Page. However, in order for California to embrace the era of electronic filing, a dramatically more sophisticated system must be developed.

### **Issues of Vendors, Funding, and Form Driven Software**

Most candidates and campaign committees rely on private service provider vendors' software to collect the data of contributions and expenditures, prepare the complicated campaign statements, and transmit the reports either by paper or electronically to the Secretary of State or other filing officers. Some in the campaign disclosure community believe that the 1997 enabling legislation for online disclosure does not permit the government to provide an online filing system similar to the sophistication of outside private vendors (which can include the means to send thank you letters, prepare IRS and state tax returns, accomplish banking functions, etc.). Others believe that, under the legislation, the government could provide a system between the rudimentary one now available and the sophisticated software of private vendors.

The development of a complete suite of free, online registration and disclosure "forms", whether it is rudimentary or improved, is vital to lower the bar to participation in politics at a reasonable cost. Such development has stalled due to lack of funding during the budgetary crises of the past few years.

The campaign statements currently required by the Fair Political Practices Commission originated at the inception of the Political Reform Act. Form changes have occurred over the years since 1975. In 2000, a significant overhaul occurred in an attempt to reduce the number of forms and simplify them. Reformers have long called for simplification of the forms in a belief that a successful internet driven system will require a simpler reporting scheme. The current scheme has been judged by some filers to be extremely complicated with myriad filing deadlines

for different types of committees that may be difficult for filers to ascertain. Despite these criticisms, others note that California's campaign disclosure law was ranked first in the country by the Campaign Disclosure Project<sup>1</sup>.

With the above background in mind, Secretary of State Bruce McPherson appointed the Secretary of State's Task Force on Online Disclosure of Campaign Finance Statements and gave it the following mission.

### ***MISSION OF TASK FORCE***

Secretary of State Bruce McPherson prescribed certain broad parameters as the Task Force embarked on its mission on October 18, 2006.

"Until very recently," McPherson noted, "California voters had only limited access to campaign disclosure information. The sources and amounts of money fueling our political campaigns were known only to a few who had access to paper disclosure reports. And then along came the computer and the Internet and web sites. For the past five years, my office has been collecting campaign finance data, transmitted electronically and online, and displaying it on the Secretary of State's web site. Campaign finance information that once occupied row upon row of dusty filing cabinets in the Secretary of State's Office is now accessible to millions of Californians at the click of a mouse.

"We've done a pretty good job, but I think we can do even better. I think we can develop user-friendly online filing systems that will simplify the task of submitting campaign contribution and expenditure information to the Secretary of State's Office for Internet display. Our current e-filing systems are closely wedded to 35-year-old paper forms. We need to break those links and develop data-driven systems that even the most unsophisticated filers and the smallest campaigns can use. We must hasten the day when paper filings are history.

"But if we are to make campaign disclosure even more accessible to California voters, we have to do more than rely on advances in information technology. We must simplify and streamline our campaign reporting rules and regulations. We need more clarity and predictability for filers and voters alike. We need to standardize filing requirements for all campaign committees that participate in the political process. So, I urge this Task Force to focus its efforts on recommendations that encourage development of exciting new online filing technology while at the same time simplifying and streamlining disclosure requirements."

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<sup>1</sup> The Campaign Disclosure Project is a collaboration of the UCLA School of Law, the Center for Governmental Studies, and the California Voter Foundation. The Project's full report, "Grading State Disclosure," is available at <http://www.campaigndisclosure.org>.

## ***SUMMARY OF PRINCIPAL RECOMMENDATIONS***

### **I. The Goals of Improved Online Disclosure and Simplification**

#### **Policy Recommendation 1.**

##### Free Online Filing System

Develop an improved, free online filing system for use by all state and local filers with a robust database that permits storage of data and reports.

#### **Policy Recommendation 2.**

##### More Functional Search System

Improve the functionality of the Cal-Access search system.

#### **Policy Recommendation 3.**

##### Improved Database in Cal-Access

Improve certain display functions for the data that is currently being provided.

#### **Policy Recommendation 4.**

##### Data Driven Reporting

Move from form driven reporting to data driven reporting through data-driven architecture.

#### **Policy Recommendation 5.**

##### Combined State and Local Disclosure System

Create a long-term, consolidated system of online disclosure for state and local filers centralized in the Secretary of State's office.

## **Policy Recommendation 6.**

### Simplified Calendar for Reporting by State Electronic Filers

Establish a new, simplified, more frequent filing calendar for all political committees on a weekly, quarterly and 24 hour basis before elections.

## **Policy Recommendation 7.**

### Higher Thresholds for Reporting Triggers

In order to increase the frequency of reports for all committees, and at the same time achieve a countervailing reduction in the number of reports, the threshold should be raised for non-candidate committees to \$5,000 for activity that requires pre-election, weekly, and 24 hour reports.

## **Policy Recommendation 8.**

### Reduce Paper Filing

Paper filings for electronic state filers should no longer be required in San Francisco or Los Angeles County or at the county of a committee's domicile; or for weekly or 24 hours reports that are filed electronically.

## **Policy Recommendation 9.**

### Weekend Reporting

Reports due on a weekend should be filed on the first business day following, except for the last weekend before an election.



## ***REPORT OF THE TASK FORCE***

### **I. Recommendations of Technology Subcommittee**

#### ***A. Introduction***

This report comprises the recommendations of the Secretary of State's Task Force on Online Disclosure regarding technical modifications necessary to make Cal-Access or its successor more functional and user friendly. These recommendations are divided into three short-range areas and two long range areas. Each is addressed in more detail below:

##### Short Range

1. Improve the free online filing system;
2. Improve functionality of the search system;
3. Make discrete improvements to the database to improve functionality;

##### Long Range

1. Move from form-driven to data-driven reporting; and
2. Create a combined state and local disclosure system.

#### ***B. Improve Free Online Filing System***

The Task Force recognized at the outset that the current system for free online filing (mandated by AB 696 (Longville), Chapter 917 of 2001) has not been fully implemented, and that those forms that are available are cumbersome to use. In order to prepare for the time when all state filers are mandated to file online, the Task Force recommends that the Office of the Secretary of State provide the ability for all state and local filers to comply with the disclosure requirements of the Political Reform Act via a free online filing system. In keeping with Recommendation 4, this system need not be form-driven. Additionally, the system must be improved to make filing easier than it currently is. Specific improvements to reach this objective include:

1. Type of System: Web-based, dedicated database for filers to login to and use and store data;
2. System should be capable of keeping data for Schedules A through I stored for repeat entries and aggregation reporting and amendment filings. Ability to capture all information required on each schedule; ability to pay previously reported accrued expense, list subvendors (Schedule G); revert loans forgiven (Schedule B) to contributions on Schedule A; list of contributor and expenditure codes – where

contributions are also placed on Schedule D; memo sections for public notes re: intermediary or affiliated entity contributions or expenditures.

3. Cumulate page totals, Schedule totals and forward to the summary page; calculate the cash on hand. Should be able to keep financial data and bring forward ending cash on hand from last report as beginning cash on hand for new report.
4. Maintain e-filed reports for future amendments. Amendment information should be flagged on amended reports.
5. Pagination.
6. Abilities to import expenditure data from the Secretary of State (i.e., when making a contribution to a candidate, filer can type in the ID number and all the other information would be automatically available).
7. Sort options (i.e., date, alpha and data entry order).
8. Capture all required and possible variations for master committee information section (i.e., full committee name, type of committee, address, telephone, email, proponents, treasurer, assistant treasurer, proposition information, support/oppose).
9. Disclosure of administrative expenses by the sponsoring organization.
10. Separate cumulative totals for contributions not made for candidate support (i.e., show year to date cumulative and candidate support cumulatives).
11. Ability to upload information from an outside Excel or Access file.
12. Require mandatory occupation/employer information.
13. Ability to run queries based on any data entry field (this will assist journalists in searching for top donors).

### *C. Improve Functionality of Search System*

The Task Force recommends improvements to the Cal-Access search and display functions. Currently, for example, a voter or reporter wishing to determine the top contributors for and against Proposition 75 on the November 2005 special election ballot, must click links for 16 separate committees, then sort each by amount, and compare the top donors for each of the 16 to derive a "Top 10" or other ranking. As another example, there is no function to determine the largest single contributor to all state candidates. The following represents an example of the kind of fully integrated search and display function the Cal-Access website could offer:

Search (and/or sort) by any appropriate combination of:  
Contributor name (including “smart search” capabilities)  
Contributor city  
Contributor zip code  
Amount of contribution (including range)  
Date of contribution (including range)  
Election  
Candidate name  
Ballot measure number  
Committee ID number  
Office Contested

#### *D. Discrete Improvements to the Database*

The Task Force identified the following improvements that could be made to the Cal-Access system with a relatively low investment. These include:

1. The ability to search for contributors by occupation or employer;
2. When searching for "Late Contributions, Expenditures and \$5000+ Filings" by date, the ability to obtain just the contribution for the candidate and date requested, rather than all activity for that candidate;
3. Provide more accurate totals of contributions and expenditures by committee and, in particular, eliminate the artificial inflation of those totals through amounts derived from redundant reporting on Campaign Finance Statements, Form 460, filed periodically and 24-hour and late reports containing the same contribution.

The following improvement was deemed important but may involve more investment:

1. Display of amendments that would highlight what changes were made from prior version;

#### *E. Move from Form-driven to Data-driven Reporting*

In the nascent days of the online filing system at the Office of the Secretary of State, a decision was made to follow the forms required by the FPPC for disclosing activity. While this was a logical approach at that time, experience suggests that allowing forms to dictate not only what information is collected, but also how it is collected (and, at times, displayed), is too limiting. The Task Force recommends that, in the longer term, Cal-Access be modified to follow a data-driven model. Conceptually, if the components of information required by the Political Reform Act and regulations are collected, there is no need to build input screens or output reports that emulate paper reports. While this change is not necessary to improve the system in the short term, any wholesale modifications in the longer term should include a data-driven architecture.

#### *F. Create a Combined State and Local Disclosure System*

The Task Force also recommends that, in the long term, a consolidated system of online disclosure embrace both state and local filers. This could be accomplished via a centralized system like Cal-Access, thus relieving the clerks and registrars of their current workload under the Political Reform Act. As a tradeoff, these local filing officials would make terminals available in public areas, for the use of both small campaigns seeking to file online, and the press and members of the public who lack Internet access. These filing officials would also provide a telephone line for each terminal in order for candidates or members of the public to call the FPPC's toll-free line, or the Secretary of State's support line, as the need may arise.

Whatever the logistics, it is critical that state and local campaign finance data be combined into a central system in order to provide the transparency always contemplated for online disclosure. Moreover, creation of a seamless, statewide database of campaign finance data will make it possible to eliminate the separate filing obligation for major donors. This is because consolidated online filing will provide the ability to search all contributions by a single donor, without requiring that the donor file reports.

## I

### I. Recommendations of Campaign Finance Disclosure Simplification Subcommittees

#### A. *Introduction - Competing Views*

Members of the Task Force enthusiastically brought to the first meetings many suggestions to simplify the basic disclosure regimen. It quickly became apparent that many competing interests clashed.

##### *Filers*

The filers and professional treasurers wanted higher thresholds for filing requirements and for itemization of some data in order to reduce the amount of information they believe is of small interest to the voters and media. They wished to eliminate the mirror imaged major donor reports and the paper filings.

The professionals proposed more regularized filing schedules. They pointed out the complex calendars issued by the Fair Political Practices Commission and the Secretary of State with pages of footnotes annotating the calendars in accord with the law. Some firms with highly experienced personnel and lawyers often have trouble navigating these filing schedules, suggesting that others might have similar problems.

##### *Officeholders*

Several officeholders have proposed a goal of reporting campaign contributions and expenditures within 24 hours all year long. Task Force members, most insistently those from the community who actually file campaign reports, believe these suggestions to be entirely impractical in a campaign context, and would require Treasurers to operate seven days a week, 52 weeks a year, without weekends or vacations. It would be difficult to staff. It was estimated that 24 hour reporting all year long might double the costs of compliance for campaigns, assuming that staffing could even be done. It would likely eliminate the firms who now provide over 60% of the campaign filing services in the State with multiple clients and committees managed on a bulk basis with economies of scale. Representatives of those firms were unanimous that the existing burdens currently imposed were becoming impossible to meet and that such utopian goals of 24 hour reporting would be detrimental to the ability of these businesses to survive.

Representatives of the legislators supported the filing requirements of Proposition 34 and did not want to amend it by reducing 24 hour disclosure in the last 90 days before elections. They believe it is more important to have timely reporting of contributions in the 90 days prior to an election as is currently required than to impose additional reporting requirements in non election years. The legislative representatives want timely information about the activities of challengers and political action committees planning independent expenditures particularly during the primary campaigns. The candidates want campaign reports in order to understand opposition strategies and trends.

## *Media*

The media, on the other hand, want macro information. Conversations with the media indicated they want more timely and frequent disclosure but are primarily interested in large donors and the flow of money to committees. They are interested in broad trends. One representative of the media said they were only interested in contributions of \$10,000 and over or aggregations within industries and thought the \$100 threshold for itemizing campaign contributions was unnecessarily low.

## *Academia*

Academics want as much data as can be provided for long term analysis and are less interested in real time reporting. They want robust search engines for examination of campaign finance data from a distance. They would like uniform reporting state to state for comparative purposes and had many suggestions for improvements to the accessibility of data.

## *Watchdogs*

Watchdog groups would like information all year long about the money given to officeholders. Some would like to be able to link or draw inferences about contributions in the context of legislation, and believe that the current incumbent-created Proposition 34 reporting scheme does not address this need with its focus on activity in the 90 days immediately before an election and not all year long during the off years.

## *Government*

Ethics agencies and enforcement personnel were very concerned with possible electronic filing problems and verification issues. They generally feel most comfortable retaining some minimal amount of paper filings into the immediate future. They strongly urged the expansion of the Cal-Online system to all state filers in a verifiable system before the paper system is eliminated, and to all local filers before major donor reporting is eliminated. They wish to retain current itemization thresholds as part of a uniform system in order to assure disclosure of campaign finances in local jurisdictions.

### *B. Consideration of Multiple Proposals*

The Task Force split into several ad hoc groups to begin conversations about various reporting schemes. While 24 hour reporting, all year, all the time, was summarily rejected by all as unworkable, new calendar proposals emerged for monthly filings versus semi annual and quarterly filing, monthly filings versus pre-election filings, quarterly filings versus semi annual filings, weekly filings of contributions only, 48 hour versus 24 hour reports, and various other iterations.

The California Professional Treasurers Association sent a well reasoned letter with its

recommendations (see Appendix A).

An Excel spreadsheet was created to quantify, compare, and contrast the various proposals. It is included at Appendix D. The spreadsheet assigned gross numbers to the increased filings necessary under each proposal. The comparisons have some arbitrariness to them but are useful to understand many of the tradeoffs for the various proposals.

After reviewing the Excel spreadsheet, there was strong resistance from the professional reporting community to any increase in the burden of reporting without equal reductions in complexity in the current filing system. The professional reporting firms asked for elimination of paper filings for electronic filers, reduced weekend reporting to solve staffing issues, higher thresholds for itemization, creation of thresholds for amendments, and elimination of irregular filings like special odd year reports, supplemental reports, and difficult filing schedules caused by special elections. It was believed that more frequent filings could solve irregularities and create more symmetry year to year.

### *C. Emerging Framework*

After extensive deliberations, a framework emerged for a nearly unanimous consensus<sup>2</sup> for state level electronic filers<sup>3</sup> with a common filing calendar and more frequent filing traded off against higher thresholds to trigger reports.

## WHO

All state level committee electronic filers (legislative and statewide candidates, party committees, PACs, general purpose recipient committees, primarily formed recipient committees, independent expenditure committees, and candidate controlled ballot measure committees).<sup>4</sup>

## WHEN

Symmetrical filing calendars for all years with 24 hour reports in the month before a primary or general election; weekly reports of contributions received; and quarterly reports of all activities.<sup>5</sup>

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<sup>2</sup> One member of the Task force objected to the framework as it affected candidates and attached a dissenting view at Additional Statement #1.

<sup>3</sup> Local filers and state filers who do not file electronically (below \$50,000 filers) would continue to file under the existing calendar and system. Until a robust Cal Online system is available for local filers, the Task Force decided not to recommend any changes to the current paper filing system which is well known and reliable. See the recommendations of the Technology Subcommittee, Section I above, for a discussion of the long term goal of a statewide electronic filing system managed by the Secretary of State.

<sup>4</sup> This became the “committee is a committee is a committee” proposal.

<sup>5</sup> Weekend report burdens will be reduced for filers and election officials except for the weekends before elections. See Appendix B for a calendar exemplar.

## TRIGGERING THRESHOLDS

Reports are triggered with only two thresholds - \$1,000 for candidate controlled committees (except not candidate controlled ballot measure committees); and \$5,000 for all other committees including candidate controlled ballot measure committees.

## SPIRIT OF COMPROMISE

The proposal which is set forth in detail below and at Appendix B (exemplar calendar) should be viewed as the product of serious compromise and tradeoffs by the various stakeholders: governmental agencies, private political attorney and treasurer filers, non profit reform groups, and the media. The filing community will assume substantially increased filing burdens with weekly reporting, increased reporting for general purpose recipient committees, and off year quarterly reporting. The campaign watchdog groups relinquished the current low threshold triggers of \$500 and \$1,000 for certain reporting by non-candidate committees in the belief that the increased reporting for large contributions year round was more important than less reporting of smaller amounts. A serious spirit of compromise and practical consideration prevailed over resistance to change. All sides should be commended.

### *D. The Recommendations*

#### ***All State Recipient Committees (candidate-controlled, primarily formed, general purpose, political party)***

- Quarterly campaign statements (Form 460) will be required, due on the 20<sup>th</sup> of the following month (October 5 for the third quarter of even years).
- Independent expenditures made of \$1,000 or more to support/oppose a single candidate or ballot measure will be disclosed:
  - Within 24 hours May 1 (even year) through the day of the June state primary, and October 1 through the November general election. The \$1,000 will be cumulative only during the 16-day late reporting period.
  - Weekly (e.g., Sunday through Saturday, due Wednesday) all other times. (In addition, independent expenditures made in connection with local elections will be disclosed under current rules.)
- Alternative proposals were discussed to 1) eliminate redundant donor reporting of late contributions made<sup>6</sup>; 2) have redundant late contributions made disclosed at \$5,000 (cumulative per candidate or ballot measure committee); or 3) retain the current \$1,000 reporting threshold for late contributions made. See Additional Statements # 4 and 5.

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<sup>6</sup> They are redundant since the payment will be reported as a late contribution received by the recipient candidate or committee.



- Weekend 24-hour reports will be required only during the weekend prior to an election. Otherwise, 24-hour reports due on Saturday, Sunday, or a holiday will be filed on the next business day.

***State Candidate-Controlled Election Committees and Primarily Formed State Candidate Committees***

- Pre-election campaign statements will be filed 12 days before the state primary and general election covering the day after the last quarterly report through 17 days before the election.

Exception: For state candidates not on the ballot, the pre-election statement is required only if, during the period covered by the pre-election statement, the candidate or committee has made contributions or independent expenditures aggregating \$5,000 or more.

- State candidates and primarily formed state candidate committees will file weekly reports (e.g., Sunday through Saturday, due Wednesday) disclosing individual contributions received of \$1,000 or more, except as described below when the reports will be required within 24 hours by candidates and committees being voted on in an election.
- For the periods May 1 through the day of the June state primary and October 1 through the day of the November general election, the \$1,000 contribution received reports will be filed within 24 hours by candidates being voted on in the election and primarily formed candidate committees. During the 16 days prior to the election, contributions will be cumulated to determine whether \$1,000 has been received.

***Primarily Formed State Ballot Measure Committees (including candidate-controlled)***

- Pre-election campaign statements will be filed 12 days before the state primary and general elections covering the day after the last quarterly report through 17 days before the election if the measure(s) is being voted on.

When not on the ballot, the pre-election statement is required if, during the period covered by the pre-election statement, the committee has made contributions or independent expenditures aggregating \$5,000 or more.

- Committees will file weekly reports (e.g., Sunday through Saturday, due Wednesday) disclosing individual contributions received of \$5,000 or more except as described below when reports are due within 24 hours for committees primarily formed to support measures being voted on in an election.
- For the periods May 1 through the day of the June state primary and October 1 through the day of the November general election, the \$5,000 contribution reports will be filed within 24 hours when the measure(s) is being voted on in the election. During the 16

days prior to the election, contributions will be cumulated to determine whether \$5,000 has been received.

***State General Purpose Recipient Committees (including political party committees and candidate-controlled general purpose ballot measure committees)***

- Pre-election campaign statements will be filed 12 days before the state primary and general elections, covering the day after the last quarterly report through 17 days before the election if, during the period covered by the pre-election statement, the committee has made contributions or independent expenditures aggregating \$5,000 or more. For political party committees, the pre-election campaign statement will be required if the committee has received contributions totaling \$5,000 or more, or has made contributions or independent expenditures aggregating \$5,000 or more during the period covered by the pre-election statement.
- Except for the period May 1 through the day of the June state primary, and October 1 through the day of the November general election as described below, committees will file a weekly report (e.g., Sunday through Saturday, due Wednesday) disclosing individual contributions received of \$5,000 or more.
- For the periods May 1 through the day of the June state primary and October 1 through the day of the November general election, the \$5,000 contribution reports will be filed within 24 hours. During the 16 days prior to the election, contributions will be cumulated to determine whether \$5,000 has been received.<sup>7</sup>

***Weekend reporting***

For electronic state filers, to balance the burdens of increased reporting, weekend reporting should be required only for the weekend before the primary or general election, versus the current rule that weekend reporting is required during the 90 days prior to the election. For example, if a fundraiser is held on a Friday or Saturday, 24 hour reports currently must be filed Saturdays and Sundays. This is a staffing burden for all professional treasurers.

The statutes of the state move legal obligations from official state holidays (including Saturdays and Sundays) to the next business day (see Civil Code section 9; Election Code section 15; Civil Code of Procedure section 12 a, 12b, 13, 13a, 13b; and Government Codes section 6700 et seq.). In 1977, The Fair Political Practices Commission adopted by regulation (California Code of Regulation section 18116) the state rule that filing obligations that fall on Saturdays, Sundays or official state holidays be extended to the next business day. The regulation included an exception for late contribution reports under the Political Reform Act and required them to be filed on Saturday and Sundays.

Therefore, the Task Force recommends, and believes authority exists, that contributions

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<sup>7</sup> Special election calendars should follow a similar scheme to be determined at the time of legislative drafting. Until there is statewide electronic filing, the supplemental pre-election report will be needed for state committees making contributions in connection with local elections.

received Friday, Saturday, or Sunday be reported no later than 5:00 pm on the first business day following, except for the last weekend prior to the election. It recommends that the legislature adopt specific statutory authority for any exception to the general rules from the state statutes regarding weekend filing for the last weekend for electronic filers.

The media and reform groups have informally acceded to this last weekend recommendation since dissemination or republication of information regarding contributions received on weekends generally waits until business hours on Monday except for the last weekend prior to the election. Also, filing offices around the state are generally not open on weekends, fax machines run out of paper, and the burden of the weekend filing outweighs the benefits to the public.

The Task Force unanimously recommended this one weekend rule for all 24 hour filings.

As a corollary, Government Code section 81008 which requires the Secretary of State, San Francisco Registrar of Voters, Registrar-Recorder of Los Angeles County, and the Registrar of Voters of San Diego County to remain open the weekend prior to the election should be reevaluated in light of electronic filing. Staff at the Secretary of State indicate that only two or three people came in on the weekend before the November, 2005 Special Election. Most inquirers readily use the internet for research. The costs of opening government offices on weekends and staffing them may be better used for improving electronic filing.

### **III. Discussions With No Recommendations**

#### *A. Paper Filings*

Despite the promise of a paperless filing system once electronic reporting was implemented, paper reports continue to be required. There was a split on the task force about whether to eliminate all paper filings. 1) There was a unanimous recommendation that electronic filers no longer be required to file paper reports with county filing officers. This was in part based on the claim that one county elections office failed to archive the copies, instead allowing them to accumulate in unorganized boxes. If true, this means that some data gathered at great expense to campaigns was inaccessible to the media and public. 2) There was a unanimous recommendation that paper copies not be required for any weekly or 24-hour reports that are filed electronically. 3) There was a divided recommendation whether to eliminate paper filings entirely versus retaining an original and one copy (filed with Secretary of State) for Form 460 (Recipient Committee Campaign Statement), Form 461 (Major Donor and Independent Expenditure Committee Campaign Statement), and the Form 465 (Supplemental Independent Expenditure Reports). (See Additional Statements 2 and 3 at pages 25 and 26). 4) There was recognition that at a minimum, paper filing could not be eliminated entirely without either access to donor addresses via information kiosks in all county clerk offices or access to donor addresses online.

#### *B. Contributions Made Reports*

Since all committees will be reporting contributions received on a more frequent and timely basis (weekly and within 24 hours year round), and reporting all contributions received and expenditures made quarterly every year, the Task Force extensively discussed the continued value of the mirror image contribution made reports in the waning days of an election.

No unanimity emerged. Two mutually exclusive views are set forth in Additional Statements 4 and 5 at pages 28 and 29. Without either view prevailing, many members of the Task Force would have agreed to a compromise as follows:

The threshold for late contribution reports be \$1,000 for candidates and candidate controlled committees, and \$5,000 for all other committees including major donor committees.

### *C. Major Donor Report Streamlining*

The Task Force also discussed the elimination of major donor filing. Skeptics of this type of report observed that California is the only state that requires donors to file reports that are entirely duplicative of what is reported by recipients.

Proponents of major donor reports (until both a more sophisticated search system can be developed and local candidates and committees can be included in electronic filing) rely on several rationales to support their views: (1) it is an auditing check on recipients who might hide contributions<sup>8</sup>; or (2) that it enables the public to see what a certain donor has given by viewing one report rather than searching many recipient committee reports.

With the advent of electronic filing with search capabilities, those who question the need for major donor reports today challenge the last rationale. For example, the Cal Access system permits a search across multiple committees to gather all the contributions made by a specific corporation or individual. While weaknesses exist, as they do in any data base (i.e., will a search for Frederick Brown gather contributions made by Fred Brown, or a search for Jones Corporation gather contributions entered by the recipient as Jones Corp.) technologists informed the Task Force that programming logic improves constantly and with adequate funding the Cal Access software can be strengthened and made more robust for such searching.

However, the Task Force was unable to reach consensus on recommending the elimination of major donor filings at the state level since many believed that the electronic filing system is not yet robust enough nor can local disclosure without electronic filing be adequate without major donor filing. Therefore, the Task Force deferred any recommendation on the elimination of major donor reporting until the utopia of a statewide electronic filing system as described in Section I is realized.

The two competing analyses are found at Additional Statements 4 and 5, on pages 27 and

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<sup>8</sup> Supporters of the mirror-image reporting point to at least one enforcement case where a violation by a recipient was discovered because a major donor revealed that a contribution was made. They argue that this level of compliance by recipients is proof that mirror-image reporting is working. Opponents suggest that over 32 years, one case does not justify the burden imposed on those who are only donors.

In the meantime, the Task Force unanimously agreed that several reforms could be salutary and consistent with the changes recommended for all recipient committees. While the current system for state major donors (two semi-annual reports due July 31, for the period January 1 to June 30, and due January 31, for the period July 1 to December 31) remains, no state major donors who choose to be electronic filers should be required to file paper reports in multiple county locations as they do now.<sup>9</sup>

Last, the Fair Political Practices Commission as well as other groups have proposed legislation to raise the major donor threshold for the first time in 20 years from \$10,000 to \$30,000 which will also reduce the burdens on donors and professional treasurer offices.

### *CONCLUSION*

While this report is being issued at the beginning of an election year, and the members of the Task Force are cognizant of the competing political forces at work, it is our hope that the Secretary of State, the Legislature and the Governor without regard to political impacts will seriously address the recommendations of the Task Force. The work of the Task Force represented a bipartisan effort by its members from the private sector, government, and the media. Further consultation was done with other stakeholders in both parties and the media. We have made a good faith effort to put forth a well-reasoned approach to a complex area of governmental regulation. We have set forth our deliberations comprehensively so that during the legislative process, future deliberators will have access to our experience.

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<sup>9</sup> Currently state major donors must file semi-annual reports at the Secretary of State, Los Angeles County Registrar Recorder, San Francisco Recorder, and the County of Domicile of the filer.

**ADDITIONAL STATEMENT/MINORITY REPORT**  
**BY SUSAN SWATT, LEGISLATIVE AIDE, CALIFORNIA STATE SENATE**

*Report*

The key element of the recommendations of the Secretary of State's Task Force on Online Disclosure treats all committees – general purpose, ballot measures, candidate-controlled – the same for reporting purposes and requires weekly reporting by all committees. In recommending weekly reporting for all committees, the Task Force has made changes in other reporting requirements that effectively deny the public information on a timely basis during periods closest to elections.

There was no overall consensus among the Task Force members in terms of recommendations regarding online filing. This Minority Report provides alternative suggestions for changes in online filing and discusses opposition to some of the Task Force recommendations – most specifically, those recommendations that reduce current reporting requirements in election years.

The Task Force recommends quarterly campaign statements (Form 460) for all state recipient committees – due on the 20<sup>th</sup> of the following month. The one exception is a due date of October 5<sup>th</sup> for the third quarter of even years. Adding quarterly reports in non-election years clearly provides more information to the public, compared to the current semi-annual reporting requirement.

A concern with the quarterly report recommendation arises in the 1<sup>st</sup> quarter of election years. Under current law, the 1<sup>st</sup> pre-election report covers the period January 1 – March 17<sup>th</sup> with the report due on March 22<sup>nd</sup>. Under the task force recommendation, the 1<sup>st</sup> quarter report dates for the first pre-election report would be changed to cover the period January 1<sup>st</sup> – March 31<sup>st</sup>, but the report would not be due until April 20<sup>th</sup>. That is nearly a one-month delay in providing full information to the public on contributions and expenditures, compared to current law. Members of the task force suggest that by instituting a system of weekly reports on all state recipient committees, the one-month delay is not a problem. I strongly disagree.

The Political Reform Act is clear: “Recipients and expenditures in election campaigns should be fully and truthfully disclosed in order that the voters may be fully informed and improper practices may be inhibited.”

The proposed weekly reports would not include expenditures. The proposed weekly reports are not cumulative. Thus, a candidate-controlled committee could receive three contributions of \$950 each in the 1<sup>st</sup> quarter of an election year and none of these contributions would be reported until April 20<sup>th</sup>, instead of the current March 22<sup>nd</sup> reporting date. In addition,

the proposed weekly reports would not contain information on the total amount raised by committees.

At the Task Force meetings, there was discussion about changing the due date for the 1<sup>st</sup> quarter report to April 5<sup>th</sup>. Those treasurers involved with the Task Force indicated that meeting an April 5<sup>th</sup> report deadline for the 1<sup>st</sup> quarter for all the different committees they are involved with would be impossible. There was additional discussion at the Task Force meetings to have different filing dates for candidate-controlled committees and all other committees. That suggestion was dismissed because the members wanted to provide consistent reporting for all committees. While that is a laudable goal, the result is that candidate-controlled committees will have a change in filing schedules and information will not be provided to the public in a timely manner.

In recommending the filing of weekly reports, the Task Force further suggested changes in the reporting of \$1,000 contributions received in the 90 days prior to the primary and general elections for state candidate-controlled committees and primarily formed state candidate committees. The Task Force recommends that for the period May 1<sup>st</sup> through the day of the June state primary and October 1<sup>st</sup> through the day of the November general election, the contribution reports would be filed within 24 hours by candidates being voted on in an election. This time schedule would also apply to primarily formed committees.

Under current law, candidates must report any contribution of \$1,000 received within 24 hours during the 90 days prior to a statewide election. The Task Force's recommended change, in reality, delays information provided to the public in the 35- to 90-day period prior to an election.

The 90-day period was created by Proposition 34 in 2000. The ballot arguments in favor of Proposition 34 specifically stated:

“Proposition 34 requires candidates and initiatives to disclose contributions of \$1,000 or more on the Internet within 24 hours for a full three months before the end of the campaign.”

The Task Force indicated that with the proposed weekly reports, reporting requirements had to be reduced in other areas, including in the most important time periods for reporting campaign contributions. Is it more important to have a \$1,000 contribution reported on a weekly basis in January of a non-election year or on a 24-hour basis in the 90 days prior to an election? Since the Task Force indicated that a choice had to be made, there is no question that quicker public awareness of campaign contributions in the 90 days prior to an election is far more important than a weekly report 22 months prior to a candidate being on the ballot. As we know, the bulk of campaign contributions are received more closely to an election.

The heart of the Task Force recommendations center on the institution of a weekly reporting scheme. While public disclosure of campaign contributions is very important, there are questions as to how successful this system would be since the Task Force recommendations

reduce the timeliness for reporting contributions during other more crucial periods during election years.

By delaying the disclosure of full reports (Form 460s) in an election year, i.e. the first pre-election report, the public is denied an overall picture of what a candidate is raising. The weekly reports only include contributions of \$1,000 or more, so if a candidate for a legislative seat received all his contributions in \$950 amounts, the public would not be aware of this until the Form 460 was filed. Only then would the full amount of contributions and expenditures be known.

During Task Force discussions, no real specifics were offered about perceived deficiencies with the current reporting deadlines for candidate-controlled committees, except there were different filing schedules depending upon the type of committee. There were discussions about general purpose committees and the need to require more reporting.

The concept that all committees should have the same reporting deadlines has merit only if those reporting dates are reasonable and flexible. I understand from the comments of treasurers who are members of the Task Force that different reporting deadlines create difficulties. But the real issue is how we best inform the public in a timely manner of the amount of contributions and from whom they are being received. I maintain that this information is far more critical in an election year than in a non-election year.

Another Task Force recommendation that should be rejected increases contributor reporting requirement from \$1,000 to \$5,000 for late contributions made in the 16 days prior to an election. Members of the Task Force indicated that this is duplicative reporting since the recipient is also required to report the contribution. Increasing the threshold from \$1,000 to \$5,000 delays disclosure to the public. And with a \$3,300 contribution limit for legislative candidates (except for small contributor committees), this change effectively allows donors making contributions to legislative candidates to have no reporting requirement in the late reporting period. The real losers would be the voters because there could be anywhere from a 24-hour to a 72-hour delay in making these contributions public.

Under the current system, a donor making a \$4,500 contribution on a Monday, for example, in the late reporting period would have to make the contribution public by Tuesday. But in the proposed change, if a contribution made on Monday is not received by the candidate until Wednesday, there would no public disclosure until Thursday – a 48-hour delay. There is no more critical time for tracking contributions than in the period just prior to an election. The timeliness of contributions is absolutely critical even it means that both the donor and recipient report the same contribution.

In addition to the recommendation regarding the change in deadlines for candidate-controlled committees reporting the receipt of \$1,000 contributions, the Task Force is suggesting similar changes for the reporting of independent expenditures. Independent expenditures made of \$1,000 or more to support/oppose a single candidate or ballot measure would be disclosed within 24 hours May 1<sup>st</sup> (even year) through the day of the June state primary, and October 1<sup>st</sup> through the November general election. As I pointed out earlier in the Minority Report, this



proposed change, in reality, delays information provided to the public in the 35- to 90-day period prior to an election.

### *Recommendation*

Instituting a system of quarterly reports provides more disclosure in non-election years and also establishes consistent deadlines for campaign reporting of all committees. All quarterly reports would be due on the 20<sup>th</sup> of the following month, except for the 1<sup>st</sup> and 3<sup>rd</sup> quarters in an election year. Those reports would be due on the 5<sup>th</sup> of the following month. If treasurers believe that the 5<sup>th</sup> deadline cannot be met for committees other than candidate-controlled committees, then there could be a different deadline for those committees. But it is critical that candidate-controlled committees provide information in a timely fashion.

The Minority Proposal recommends keeping the current system of reporting \$1,000 contributions received in the 90 days prior to a statewide election for candidate-controlled committees. The current system for reporting independent expenditures in the 90 days prior to a statewide election also should not be changed. This is what the voters approved in Proposition 34.

The Minority Proposal would not institute a weekly reporting system for contributions of \$1,000 or more for reasons previously stated. However, the Minority Proposal recommends that the current requirement that contributions of \$5,000 be reported within 10 business days be changed to a weekly reporting system. That system would ensure that those contributions would be reported sooner than current law.

The Minority Proposal deletes the recommendation of increasing the threshold from \$1,000 to \$5,000 for contributions made in the late reporting period.

***ADDITIONAL STATEMENT SUPPORTING THE ELIMINATION OF PAPER  
FILINGS  
BY STEVE LUCAS, STEPHEN KAUFMAN, CATE LYNCH, COLLEEN MCANDREWS,  
TONY QUINN, AND WAYNE ORDOS***

The original promise of California's Online Disclosure Act as enacted nearly 10 years ago was to eliminate the need for paper filings for electronic filers. Notwithstanding that the State and filers have invested great resources into creating an electronic filing system, the promise of the elimination of paper filings has never been realized. It is time to fulfill that promise, and to realize the full benefits of electronic filings by entering a "paperless world."

The Task Force inquired and learned that public research of paper filings is an extremely rare event. The Task Force also learned that the Secretary of State provides a kiosk at its offices where the public may access and print out campaign reports including all of the information contained in the paper reports. The paper reports, therefore, serve no purpose that the electronic system cannot fulfill. Moreover, the early concerns about the accuracy of the electronic reports and the stability of an electronic-based system have never materialized, after a six year-plus test participated in by all electronic filers.

The electronic reports have proven to be more reliable than the paper filings that are often misfiled and/or incomplete in the hands of the various filing officers. The electronic reports are by far the superior method. The sheer waste in cost and resources of continuing the paper filings, which can amount to hundreds of pages for a single report, can no longer be justified.

***ADDITIONAL STATEMENT OPPOSING THE ELIMINATION OF PAPER FILINGS  
BY LIANE RANDOLPH, KATHAY FENG, MICHAEL BUSTAMANTE***

**Elimination of Paper Reports**

The Task Force considered a proposal to eliminate paper copies of electronic reports filed pursuant to Government Code section 84605 of the Online Disclosure Act. Several members of the Task Force believe the only paper copy of campaign filings necessary should be one signed copy to be retained by the filer.

Others on the Task Force believe limited paper filings are still a necessary backup to the electronic process, particularly given the major changes of law recommended elsewhere in this report and the substantial modifications to the Cal-Access System that will be necessary if those changes are enacted. Several members of the Task Force believe that these three conditions should be satisfied before the requirement that a paper original be filed with SOS is eliminated:

1. Any changes to filing requirements and deadlines recommended in this report that are implemented via Cal-Access shall be tested for the twelve months prior to a statewide general election.
2. Cal-Access shall offer a fully functional, free online filing system for state filers that enables those filers to meet all of their filing obligations under the Political Reform Act (i.e., submit all “forms”). “Fully functional” is defined as offering substantially all of the features outlined in the “Improve Free Online Filing System” section of the Technical Recommendations portion of this report.
3. The threshold of \$50,000 for electronic filing in Government Code section 84605 shall be eliminated, so that all state filers are required to file online.

There was consensus among the Task Force to eliminate the paper copy currently being filed in the committee’s county of domicile, as well as the copies being filed in Los Angeles and San Francisco by state committees.

***ADDITIONAL STATEMENT SUPPORTING THE ELIMINATION OF REDUNDANT 24  
HOUR LATE CONTRIBUTION MADE REPORTING FOR ALL COMMITTEES AND  
MAJOR DONORS  
BY STEVE LUCAS, STEPHEN KAUFMAN, CATE LYNCH, COLLEEN MCANDREWS,  
TONY QUINN, AND WAYNE ORDOS***

There has never been a legitimate justification for the entirely redundant 24-hour contribution made reports required of Major Donors and donor recipient committees. This confusing requirement, that no other state in the Union requires, offers no benefit in terms of disclosure.

These contributions are already being disclosed within 24 hours of receipt by the recipient committees that benefit by the contributions. The recipient committees' reports are the reports that the public, the press, and the opposition campaigns will naturally research for such information, not the donor's reports. The Political Reform Act's audit process and the penalty provisions of the Act already ensure that recipient committees take seriously the requirement of filing a Late Contribution Received Report.

At the same time that the Late Contribution Made Reports offer no meaningful benefit to the public, they do require significant expense for the donors. Major Donors who are active in an election are often forced to hire law firms or professional treasurer firms to institute a compliance system in order to satisfy this onerous requirement, which is both short in terms of turnaround time and confusing to donors in terms of understanding when a report is or is not triggered. In fact, the law has recently changed again. Others who are not aware of the requirement stumble into a state of non-compliance, may have to pay significant fines to the state (after hiring a lawyer to represent them in the matter), or may face a shakedown civil lawsuit brought by a private litigant allegedly in the name of the public.

Little good has come of this redundant filing requirement, at great cost. The requirement that donors (Major Donors and recipient committees) file 24-hour reports with respect to certain contributions made should be eliminated.

***ADDITIONAL STATEMENT OPPOSING THE ELIMINATION OF MAJOR DONOR  
REPORTING REQUIREMENTS  
BY LIANE RANDOLPH, MARK KRAUSSE, TED PRIM, KATHAY FENG, AND BOB  
STERN***

The Task Force discussed the idea of eliminating the “major donor” reporting requirement. Under this requirement, individuals and corporations that do not collect funds from others, but instead use their own funds to make contributions, become committees with reporting obligations if they make contributions totaling \$10,000 or more in a calendar year. Specifically, these donors must file a semi-annual campaign statement if they made contributions or independent expenditures in the previous six-month period. The purposes for major donor reporting are: 1) to provide a check on candidates to ensure that they would report contributions in a timely fashion; and 2) to provide a cross-index of contributions by donors that was otherwise unavailable in the age of paper reporting. The major-donor-filing obligation has existed since voter approval of the Political Reform Act in 1974. The original threshold was set at \$5,000.

Those proposing to eliminate this requirement point out that it is redundant, given that the recipients of the contributions are already required to report them on a much timelier basis, and contend that no violation by a candidate has ever been discovered through the major donor reports.

Opponents of the proposal to eliminate major donor reporting point out that, without it, the ability to track the activity of large state donors at the local level would be lost. Their position is that elimination of the requirement should not be considered until a searchable database of state and local campaign contributions is available. Moreover, the Fair Political Practices Commission is sponsoring Senate Bill 1693 (Murray) to increase the major donor threshold to \$30,000 in a calendar year. The Commission believes its proposed threshold will remove less sophisticated donors from its enforcement caseload, while retaining the ability to track the activity of major political players at the state and local level. Commission staff proposed an increase to \$25,000 on the basis that a maximum contribution to the governor of \$22,300 would not render the contributor a major donor. The Commission was persuaded to increase the threshold to \$30,000 on the calculation that COLA increases in the governor’s contribution limit would likely not exceed that amount before a searchable state/local database might be brought online. Based on the past 6-year average, the governor’s limit would reach \$30,000 by approximately 2017.

Recommendation: Eliminate major donor reporting once a searchable database of all state and local contributions is available.



## ***TASK FORCE MEETINGS***

The Task Force met on six occasions: October 18, November 3, November 16, December 1, December 20, 2005, January 12 and February 22, 2006 in Sacramento California.

The following individuals and organizations, to inform and educate the Task Force, made special presentations:

Gail Kurimoto-Jackson, Political Reform Consultant, Office of the Secretary of State to present the improved Cal Online filing software.

David Harris, Internet Services Coordinator, California Dept. of Resources, to present ideas for new technology options for Campaign Finance Information Management.

Kim Alexander and Saskia Mills of the California Voter Foundation to discuss accessibility issues for consumers of the campaign finance data.

California Professional Treasurers Association commenting on the utopian 24 hour reporting proposals.

Michael Auman, Chief Information Services, California Department of Finances, to discuss state procedures for financing of information technology enhancements.

Lee Ann Pelham, Tim Grant, and David Tristan of the Los Angeles City Ethics Commission to discuss whether or not the LACEC electronic filing system could be adapted by the state.

## *Appendix A*

John Keplinger to add California Political Treasurers Association letter



*Appendix B*

**JUNE 6, 2006 PRIMARY ELECTION  
CURRENT LAW  
(STATE CANDIDATES)**

<b>TYPE OF STATEMENT</b>	<b>PERIOD COVERED</b>	<b>FILING DEADLINE</b>
SEMI-ANNUAL STATEMENT	7/1/05 thru 12/31/05	1/31/06
\$5,000 REPORT	Start-up – 3/7/06	10 business days
\$1,000 ELECTION-CYCLE REPORT	3/8/06 – 6/6/06	24 hours
SPECIAL ONLINE INDEPENDENT EXPENDITURE REPORT	3/8/06 – 6/6/06	24 hours
1 <sup>st</sup> PRE-ELECTION STATEMENT	1/1/06 – 3/17/06	3/22/06
2 <sup>nd</sup> PRE-ELECTION STATEMENT	3/18/06 – 5/20/06	5/25/06
LATE CONTRIBUTION <sup>10</sup> MADE	5/21/06 – 6/5/2006	24 hours
SEMI-ANNUAL STATEMENT	5/21/06 thru 6/30/06	7/31/06

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<sup>10</sup> Unlimited contributions to measures but limited to \$3,300 to any state or statewide candidate

# CANDIDATES FOR STATE OFFICE

BEING VOTED ON JUNE 6, 2006

## TASK FORCE PROPOSAL REPORTING REQUIREMENTS

<b>Type of Statement</b>	<b>Period Covered by Statement</b>	<b>Filing Deadline</b>
Weekly report disclosing all receipts of \$1,000+ and Independent Expenditures made to state candidates/measures of \$1,000+ (except as stated below) Reported on online Form 496/497	Sunday through Saturday	Due Every Wednesday <sup>1</sup>
Quarterly <sup>2</sup> Reported on Form 460	Through 12/31/05	1/20/06 (In the future)
Quarterly Reported on Form 460	1/1/06 - 3/31/06	4/20/06
Receipts of \$1,000+ and Independent Expenditures made to state candidates/measures of \$1,000+ Reported on online Form 496/497	5/1/06 – 5/20/06	Within 1 Business Day (last weekend before the election requires 24 hour reporting)
Late Contributions Made \$5,000+ <sup>3</sup> Receipts of \$1,000+ by and Independent Expenditures made to state candidates/measures of \$1,000+ Reported on online Form 496/497 (cumulated during this	5/21/06 - 6/5/06	Within 1 Business Day (last weekend before the election requires 24 hour reporting)

<sup>1</sup> This weekly report replaces the current \$1,000 Election Cycle Report, which has a 24-hour deadline. Since the deadline has been extended to every Wednesday, disclosure of these receipts will be delayed from 4 to 9 additional days. However, new disclosure of year round reporting in both odd and even years on a weekly basis balance this disclosure change. This weekly report also replaces the \$5K report (which has a 10 business day deadline). A Form 497 is due every Wednesday if a receipt of \$1,000+ has been received. A Form 496 is due on Wednesday if an independent expenditure has been made of \$1,000+. The exception would be during the period covering May 1 through June 6, 2006 in which case the \$1,000 reports are due within 1 business day. The weekend prior to the election will require 24 hour reporting.

<sup>2</sup> Quarterly statements are required regardless of activity.

<sup>3</sup> The proposed threshold for this report has been raised from \$1,000 to \$5,000. Unlimited to measures but limited to \$3,300 to each state or statewide candidate.

period)		
Pre-Election Reported on Form 460	4/1/06 - 5/20/06	5/25/06
Quarterly Reported on Form 460	5/21/06 - 6/30/06	7/20/06

**JUNE 6, 2006 PRIMARY ELECTION**  
**CURRENT LAW**  
**(GENERAL PURPOSE, PRIMARILY FORMED & PARTY COMMITTEES)**

<b>TYPE OF STATEMENT</b>	<b>PERIOD COVERED</b>	<b>FILING DEADLINE</b>
SEMI-ANNUAL STATEMENT	7/1/05 thru 12/31/05	1/31/06
SPECIAL ONLINE INDEPENDENT EXPENDITURE REPORT	3/8/06 – 6/6/06	24 hours
ISSUE ADVOCACY DISCLOSURE STATEMENT	4/22/06 – 6/5/06	48 hours
1 <sup>st</sup> PRE-ELECTION STATEMENT	1/1/06 – 3/17/06	3/22/06
2 <sup>nd</sup> PRE-ELECTION STATEMENT	3/18/06 – 5/20/06	5/25/06
LATE CONTRIBUTION REPORT	5/21/06 - 6/5/06	24 hours
LATE INDEPENDENT EXPENDITURE REPORT	5/21/06 - 6/5/06	24 hours
<i>SEMI-ANNUAL STATEMENT</i>	5/21/06 thru 6/30/06	7/31/06

# GENERAL PURPOSE, PRIMARILY FORMED AND POLITICAL PARTIES

JUNE 6, 2006  
TASK FORCE PROPOSAL  
REPORTING REQUIREMENTS

<i>Type of Statement</i>	<i>Period Covered by Statement</i>	<i>Filing Deadline</i>
Weekly report disclosing all receipts of \$5,000+ and Independent Expenditures made of \$1,000+ (except as stated below) Reported on online Form 496/497	Sunday through Saturday	Due Every Wednesday
Quarterly <sup>1</sup> Reported on Form 450 or 460	Through 12/31/05	1/20/06 (In the future)
Quarterly Reported on Form 450 or 460	1/1/06 – 3/31/06	4/20/2006
Receipts of \$5,000+ and Independent Expenditures made of \$1,000+ Reported on online Form 496/497	5/1/06 – 5/20/06	Within 1 Business Day (last weekend before the election requires 24 hour reporting)
Receipts of \$5,000+ Contributions of \$5,000+ and Independent Expenditures made of \$1,000+ (cumulated during this period) <sup>2</sup> Reported on online Form 496/497	5/21/06 – 6/5/06	Within 1 Business Day (last weekend before the election requires 24 hour reporting)
Pre-Election <sup>3</sup> Reported on Form 450 or 460	4/1/06 – 5/20/06	5/25/2006
Quarterly Reported on Form 450 or 460	5/21/06 – 6/30/06	7/20/06

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<sup>1</sup> Quarterly statements are required regardless of activity

<sup>2</sup> The proposed threshold for receipts and contributions made has been raised from \$1,000 to \$5,000

<sup>3</sup> The proposed threshold for this pre-election statement has been raised from \$500 to \$5,000. This pre-election statement is required if the committee has made any contributions or independent expenditures aggregating \$5,000+

## *Appendix C*

### **Report on IT Enhancements for Cal Access By Mike Auman, Chief Information Services, Department of Finance**

#### **SUMMARY OF RECOMMENDATION**

The task force recommends that the Secretary of State immediately initiate an IT project within the Secretary's IT delegated cost threshold (\$500,000). This recommendation is discussed in more detail below and is identified as Case A, the first of four likely scenarios. The IT project is to accomplish the following:

- Enhance the free electronic web-based online filing system (Cal-Online Filing System) to allow timely filing of campaign contributions and expenditures required to meet the Secretary of State's "Task Force on Online Disclosure's" recommendations. Specifically, the enhanced system would be data-driven and would easily guide filers through the process, raising red flags when errors or omissions occur while still collecting the required disclosure information.
- Enhance the Cal-Access system to allow the public and reporters to easily query information provided by filers to determine the source and amounts of campaign funds contributed to candidates for state offices or statewide ballot measures. The enhanced system would allow the requestor to easily identify the major contributors and the amounts they have contributed by providing a user-friendly interface for constructing their request and a more logical presentation of the selected information.

More detailed requirements for the information systems are included in the Task Force's final report.

The IT project will require the preparation of a Feasibility Study Report (FSR) for approval of the Secretary of State or his designee and the redirection of internal staff and monetary resources to accomplish the project goals by the January 2007 deadline envisioned by the Task Force.

If the IT project cannot be accomplished within the delegated cost threshold or if the Legislature were to mandate aspects of the enhanced online system, the project would then be subject to reporting to the Department of Finance for project approval and to the Legislature for the appropriation of funds for the project. Depending on the detailed business requirements developed during the feasibility study and the availability of resources the Secretary of State can redirect to the project the project would be delayed from 2-3 months (Case D) to a year or more (Cases B and C).

## BACKGROUND

### Project Approval

Approval of IT projects initiated by any California state agency or department is specified by applicable sections of the California State Administrative Manual (SAM) and the California State Information Management Manual (SIMM) - refer to Attachment 1. A summary of the approval process follows:

Each agency is assigned a delegated cost threshold. If the cost of an IT project exceeds this threshold it is automatically deemed reportable. **The delegated cost threshold for the Secretary of State is \$500,000.** This cost threshold is the total development cost of the project and is defined as all estimated or projected costs associated with the analysis, design, programming and implementation of an information technology investment. Excluded costs are the estimated costs of continued operation and maintenance. Other circumstances that cause a project to be reportable follow:

- Projects that require approval of a Budget Change Proposal (BCP) or Budget Revision to fund the project and therefore depend on decisions made during the development and enactment of the Governor's Budget.
- Projects that involve new system development or acquisition that is specifically mandated by the legislature or is subject to special legislative review as specified in budget control language or other legislation.
- Projects that meet previously imposed conditions by Finance.

Before encumbering or expending funds on, or dedicating staff resources to any **reportable** project, the agency must obtain the Department of Finance's approval of a Feasibility Study Report (FSR) or the agency must obtain Finance's approval of an exemption request that would delegate project approval to agency management.

If, however, the total development cost is projected to be less than the delegated cost threshold and none of the other circumstances exist that trigger the reportable designation, project approval is delegated to the agency Secretary or his/her designee.

Except in very restrictive circumstances that do not apply to this project, delegated projects still require the preparation of an FSR. Approval of the FSR is delegated to the agency secretary. The FSR lays out the business case for the project and typically includes the following major components:

- Business Case
- Baseline Analysis
- Proposed solution and rationale for selection
- Other alternatives considered
- Project Management Plan
- Risk Management Plan

- Economic Analysis of Proposed and Alternative Solutions

### Projected Project Timeframes for Four Cases

**Case A** - Project delegated to Secretary of State (i.e., total development cost less than \$500,000 and no legislative mandates)

#### Assumptions

- No legislation required - there is some question about whether or not a more user-friendly system requires legislation. Legal experts must weigh in on this issue.
- Project costs do not exceed delegated authority - this will require strict scope control. It is possible a choice will have to be made between features in the online entry system and features in the online access system.
- No budget action is required - assumes the Secretary of State can redirect current resources to fund the project.
- IT staff can be redirected to this project

Comments: The delegated cost threshold of \$500,000 will limit what can be done. Assume that equipment and software costs are no more than \$100,000; two state staff for 9-12 months is \$100,000 - \$150,000. This leaves \$250,000 for contract programmers which at \$100/hr is about 2,500 hours of programmer time.

#### Estimated Schedule

- January 2006 - Legislation to implement the Task Force on Online Disclosure's recommendations introduced
- January 2006 - Conduct feasibility study
- February 2006 - Prepare Feasibility Study Report (FSR)
- March/April 2006 - Detailed business requirements defined
- May/June 2006 - System design
- July/August - Procure hardware, software, and contract programmers
- September-December - Code and test
- January 2007 - Implement ... this is a very aggressive schedule

**Case B** - Project is reportable and an appropriation for project funding is needed and is included in the enabling legislation (less likely because it requires a 2/3<sup>rd</sup> majority to pass such legislation)

#### Assumptions

- Legislation required - there is some question about whether or not a more user-friendly system requires legislation. Legal experts must weigh in on this issue.
- Project costs exceed delegated authority - this will require approval of a Feasibility Study Report by the Department of Finance.



- No budget action is required - appropriation provided with legislation
- Feasibility study w/ cost estimate available in February - required to determine amount to appropriate in the legislation

Comments: This provides more flexibility in the scope and cost of the project that can be attempted at the expense of a later delivery date.

#### Estimated Schedule

- January 2006 - Legislation introduced
- January 2006 - Conduct feasibility study
- January/February 2006 - Preliminary FSR prepared to develop proposed solution and estimate cost
- March - August 2006 - Legislative process and hearings
- September/October 2006 - Legislation approved and signed by Governor
- October 2006 - FSR finalized and submitted to Finance
- November/December 2006 - Finance approval of the FSR completed in 30-60 days (normally takes a little back and forth and October is very busy for Finance staff because they are working on all the FSRs that are part of the Governor's Budget proposal)
- December 2006 - Once the FSR is approved, work on the project can begin on a limited basis with redirected funds.
- January 2007 - Full funding for project
- January 2008 - Assume all the required work can be done within one year and the system would be available in Jan 2008.

**Case C** - Project is reportable and an appropriation is not included in the legislation. Funding will occur through the normal budget process which will require a BCP to Finance along with the FSR. This is the more likely scenario if the project is reportable.

#### Assumptions

- Legislation required - there is some question about whether or not a more user-friendly system requires legislation. Legal experts must weigh in on this issue.
- Project costs exceed delegated authority - this will require approval of a Feasibility Study Report by the Department of Finance.
- Budget action is required - appropriation provided with legislation
- Feasibility study w/ cost estimate available in February - required to determine amount to appropriate in the legislation

Comments: This provides more flexibility in the scope and cost of the project that can be attempted at the expense of a later delivery date.

#### Estimated Schedule

- January 2006 - Legislation introduced

- January/February 2006 - Preliminary feasibility study conducted to develop suggested project plan and estimate cost
- March - August 2006 - Legislative processes and hearings
- September/October 2006 - Legislation approved and signed by Governor
- October 2006 - FSR finalized and submitted to Finance (3 months late)
- October 2006 - BCP submitted to Finance (1 month late)
- November/December 2006 - Finance approval of FSR and BCP will be 30 days or it will be too late for January budget. If this happens, you can request opportunity to have it reviewed again in January 2007 and included in the April Finance Letter or May Revision updates of the Governor's Budget.
- January - July 2007 - Wait for Legislature to act
- July 2007 - Assume success and the legislature appropriates the funds with the July budget passing and the Governor does not line-item-veto.
- July/August 2007 - Funds for the project are available
- September 2007 - Begin project. It is unlikely the project can be completed in less than a year so summer 2008 is a likely implementation date. If it is desirable to implement at the beginning of a calendar year it would be a January 2009 implementation.

**Case D** - Project exceeds delegated cost threshold but no legislation is required to proceed.

#### Assumptions

- No legislation required - there is some question about whether or not a more user-friendly system requires legislation. Legal experts must weigh in on this issue.
- Project exceeds delegated authority - Requires approval of a feasibility study report by the Department of Finance
- A mix of budget actions and redirected funds are used - assumes the Secretary of State can redirect current resources to fund a portion of the project but a budget action is needed to provide the rest.
- IT staff can be redirected to this project
- A current year start date using a Section 11.00 if needed for legislative notification

Comments: The delegated cost threshold of \$500,000 will be exceeded but some redirected funds can be used to start the project until the next enacted budget can be passed providing full funding.

#### Estimated Schedule

- January/February 2006 - Conduct feasibility study and prepare Feasibility Study Report (FSR).
- January/February 2006 - Prepare Budget Change Proposal and submit to Finance
- Preliminary feasibility study conducted to develop suggested project plan and estimate cost
- March/April 2006 - Finance review and approval of FSR and BCP.

- May/June 2006 - Legislative process and hearings.
- May 2006 - Project is initiated using redirected funds. Detailed business requirements identified.
- June/July 2006 - System design
- July/September 2006 - Full funding for project authorized in 2006-07 Budget
- September/October 2006 - Procure hardware, software, and contract programmers
- November 2006/March 2007- Code and test
- April 2007 - Implement ... again, this is a very aggressive schedule

#### Secretary of State - Information Technology Division (Staffing and Other Priority Projects)

The Secretary of State's IT division is relatively small, consisting of approximately 35 technical staff and managers. Only ten of these individuals are programmer/analysts and of these only two or three currently have the programming knowledge, skills, and abilities to program in the web-based development environment needed for this project (Microsoft .NET).

Competing for programmer resources are two other high-priority projects, the Help America Vote Act (HAVA) and Business Entity (BE) portion of the Business Programs Automation (BPA) project.

### **RECOMMENDATION**

The task force recommends the project be initiated assuming a "Case A" scenario. If the feasibility study reveals the project goals and objectives cannot be accomplished within the delegated cost threshold, then "Case D" will be a fall back option. Case A and Case D are the two alternatives that provide a revised system at the earliest date.

There are pros and cons to each of the "case" scenarios presented above. Obviously the desire to provide the revised online reporting and access system as early as possible after enactment of legislation changing reporting requirements is a high priority. However, this is tempered by the project cost constraints and inherent risks in trying to accelerate the enhancements to the online reporting and access systems.

One risk in either "Case A" or "Case D" is that they assume no legislative change is needed or will occur that may affect the scope of the process. The FSR is developed before the legislative process for any reporting requirements changes will be complete. It is possible the Legislature, as part of the reporting requirements legislation, will mandate changes to the reporting system that are not anticipated in the FSR, resulting in substantive changes to the business requirements and/or system design. A complete risk analysis during preparation of the FSR will identify other risks as well.

However, in meetings with John Keplinger and Lee Kercher (CIO at Secretary of State), two factors tip the balance toward accepting the risks of an accelerated schedule. First is the best

practice of making changes to working systems in more manageable increments, focusing on high value (benefit), low risk changes first. Depending on the final business requirements the revisions may be simple maintenance to the current system rather than a total and complete redesign of the system. The second factor is the need for projects similar to this to provide opportunities for the Secretary of State's programming staff to develop their expertise using the Visual Studio .NET development tools. Having internal IT staff work with skilled contract programmers on this project will provide a great learning environment. Lee is interested in providing these opportunities to his staff as early as possible.

If during the development of the FSR the projected cost of the project exceeds the delegated cost threshold then "Case D" will apply. If the Legislature includes specific additional mandates or requirements in the enacted legislation enabling the changed reporting requirements and those changes substantially change the scope of the project, then the implementation date will be delayed to accommodate the extended process that accompanies the need for a Special Project Report to Finance and additional budget action to supplement the funding. This delay to the project is not something that can be determined at this time. The probability of this outcome is not increased by attempting to accelerate the process. In fact, accelerating the process is likely to clarify the project scope, cost and complexity sooner therefore making it possible to adapt to the extended process sooner should that be necessary.

## *Appendix D*

Appendix D of early comparative chart for filing schedules to be added by John Keplinger